

**MINUTES OF THE
UTAH TAX REVIEW COMMISSION**

Friday, February 1, 2008 – 12:30 p.m. – Room W110 House Building

Members Present:

Mr. M. Keith Prescott, Chair
Mr. David Crapo, Vice Chair
Mr. Mark K. Buchi
Dr. Gary Cornia
Rep. John Dougall
Rep. Wayne Harper
Sen. Lyle W. Hillyard
Ms. Kathleen Howell
Comm. Bruce Johnson
Mr. Bruce Jones
Mr. Dixie Leavitt
Rep. Rosalind J. McGee
Sen. Wayne L. Niederhauser

Members Absent:

Mr. Larry Barusch
Ms. Janis A. Dubno
Sen. Brent Goodfellow

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. TRC Business

Chair Prescott called the meeting to order at 12:35 p.m.

MOTION: Mr. Leavitt moved to approve the minutes of the November 9, 2007 meeting. The motion passed unanimously with Mr. Buchi, Rep. Dougall, Rep. Harper, and Mr. Jones absent for the vote.

Mr. Howe announced that tax policy meetings for legislators, hosted by the TRC, would be held on February 6 and February 9, 2008, at 7:30 a.m.

2. Update on Legislation Approved by the Utah Tax Review Commission

Sen. Niederhauser gave the TRC an update on 2008 General Session S.B. 31, "Income Tax Amendments." He distributed and discussed a committee report on the legislation.

MOTION: Comm. Johnson moved that the TRC reaffirm its support of 2008 General Session S.B. 31, "Income Tax Amendments." The motion passed unanimously with Mr. Buchi, Rep. Dougall, Rep. Harper, and Mr. Jones absent for the vote.

Mr. Dean distributed and discussed 2008 General Session 1st Substitute H.B. 49, "Budget Reserve Account and Disaster Recovery Account Amendments," and gave an update on the status of the legislation.

3. Review of Tax Related Legislation Introduced in the 2008 General Session

Mr. Howe distributed and discussed "Revenue and Taxation Legislation." He gave a brief overview of several bills introduced in the 2008 General Session that affect state revenues and taxation.

Mr. Dean gave an overview of 2008 General Session S.B. 48, "Equalization of School Capital Outlay Funding."

The TRC returned to Agenda Item #2.

Mr. Howe distributed and discussed 2008 General Session 1st Substitute H.B. 58, "Severance Tax Amendments."

Rep. Dougall said that it is best to begin with a small amount of severance tax revenue going into the severance tax trust fund at this time. Efforts can be made in future years, when additional new on-going revenue is available, to increase severance tax revenue deposited into the trust fund.

Rep. Roger Barrus and Rep. Aaron Tilton discussed several ideas they have concerning a severance tax trust fund. They encouraged the TRC to support efforts to return some of the earnings from the constitutional trust fund to the oil and gas producing areas of the state.

Sen. Hillyard cautioned against being too specific in dictating to the Legislature how trust fund earnings are expended. Rep. McGee agreed and said that broad discretion should be granted to the Legislature.

Mr. Crapo suggested that the TRC support the legislation and the policy behind the legislation.

Mr. Buchi said that the public will be more likely to support the constitutional amendment if the Legislature has already set aside a portion of severance tax revenue to be deposited into the trust fund.

MOTION: Comm. Johnson moved that the TRC reaffirm its strong support for the creation of a severance tax reserve fund as embodied in 2008 General Session 1st Substitute H.B. 58, "Severance Tax Amendments," and that the TRC encourages the Legislature to create those funds and fund them at the highest possible level.

Ms. Allison Rowland, Voices for Utah Children, spoke in support for the legislation and for flexibility in how trust fund earnings are expended.

Mr. Morris Jackson, Questar, spoke in support of the legislation and encouraged the TRC to support efforts to place as much severance tax revenue as possible into the trust fund.

Mr. Lee Peacock, Utah Petroleum Association, spoke in support of the legislation.

The motion passed unanimously with Sen. Hillyard absent for the vote.

Mr. Howe distributed and discussed "Technical Explanation of the Revenue Provisions of H.R. 5140, the 'Recovery Rebates and Economic Stimulus for the American People Act of 2008'" and "110th Congress 2d Session H.R. 5140."

Mr. Ron Mortensen, Citizens Coalition for Tax Fairness, gave a presentation titled "Citizens Coalition for Tax Fairness."

Mr. Burt Hulet, Citizens Coalition for Tax Fairness, distributed and discussed "Tax Data Evaluation." He said that more stability and certainty for property taxpayers is needed. He distributed information on assessed values for residential property in selected areas of Bountiful City. He said that it is unfair to use fair market value as the basis for the property tax.

Rep. Dougall and Rep. Harper distributed and discussed "Proposals for Homeowner Property Tax Relief and School Funding Equalization." Rep. Harper said that he and Rep. Dougall have embarked on a slow and deliberate process to both provide property tax relief for homeowners and to ensure adequate future revenue growth for public schools. While considerable progress has been made on this issue, there is still work to be done. Rep. Dougall emphasized that the proposal recognizes that public education funding is primarily a state responsibility while allowing local discretion in how funds are spent.

Mr. Larry Walters, Brigham Young University, asked some clarifying questions on the proposal.

Mr. Dee Bell, citizen from Ogden Valley, spoke in support of Rep. Dougall's and Rep. Harper's proposal and explained that Utah citizens want immediate property tax relief and major reform of the property tax system.

Ms. Rowland stated that while Rep. Dougall's and Rep. Harper's proposal may lower property taxes, property owners may not always pass on those savings to renters.

Mr. Royce Van Tassell, Utah Taxpayers Association, spoke in opposition to the proposal. He said that it would increase the sales and use tax on purchases of business inputs.

Rep. Dougall said that it is easier for the Legislature to mitigate volatility in the sales tax than in the property tax.

Mr. Walters gave a presentation titled "Full Disclosure: Controlling Property Tax Increases During Periods of Increasing Housing Values." He explained that according to his research the full disclosure requirements of Utah's truth in taxation laws have kept property tax increases to a minimum.

Comm. Johnson distributed and discussed "Utah State Tax Commission Annual Report - 2007 Fiscal Year." Comm. Johnson also updated the TRC on recent changes to the individual income tax withholding tables issued by the Utah State Tax Commission and used by employers to withhold state individual income taxes from employee's wages. He explained that the withholding tables issued earlier this year were incorrect and that new tables are being developed and will shortly be mailed to employers.

4. Other Items / Adjourn

Chair Prescott adjourned the meeting at 3:37 p.m.